



ARI Network Services, Inc.
Consolidated Statements of Income
(Dollars in Thousands, Except per Share Data)

	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	Three months ended January 31		Six months ended January 31	
	2012	2011	2012	2011
Net revenue	\$ 5,501	\$ 5,238	\$ 10,911	\$ 10,562
Cost of revenue	1,251	1,086	2,387	2,253
Gross profit	4,250	4,152	8,524	8,309
Operating expenses:				
Sales and marketing	1,118	1,084	2,151	2,226
Customer operations and support	850	922	1,696	1,711
Software development and technical support (net of capitalized software product costs)	490	454	878	776
General and administrative	1,218	1,028	2,326	2,080
Depreciation and amortization (exclusive of amortization of software product costs included in cost of revenue)	404	410	807	817
Net operating expenses	4,080	3,898	7,858	7,610
Operating income	170	254	666	699
Other income (expense):				
Interest expense	(59)	(203)	(121)	(404)
Other, net	11	6	17	6
Total other income (expense)	(48)	(197)	(104)	(398)
Income before provision for income tax	122	57	562	301
Income tax (expense) benefit	(61)	66	(229)	(79)
Net income	\$ 61	\$ 123	\$ 333	\$ 222
Net income per common share:				
Basic	\$0.01	\$0.02	\$0.04	\$0.03
Diluted	\$0.01	\$0.02	\$0.04	\$0.03



ARI Network Services, Inc.
Consolidated Balance Sheets
(Dollars in Thousands, Except per Share Data)

	<i>(Unaudited)</i>	<i>(Audited)</i>
	January 31	July 31
	2012	2011
Current assets:		
Cash and cash equivalents	\$ 841	\$ 1,134
Trade receivables, less allowance for doubtful accounts of \$335 and \$383 at January 31, 2012 and July 31, 2011, respectively	1,040	1,179
Work in process	166	169
Prepaid expenses and other	611	802
Deferred income taxes	2,730	2,693
<i>Total current assets</i>	<u>5,388</u>	<u>5,977</u>
Equipment and leasehold improvements:		
Computer equipment and software for internal use	2,473	2,304
Leasehold improvements	584	558
Furniture and equipment	2,139	2,000
	<u>5,196</u>	<u>4,862</u>
Less accumulated depreciation and amortization	3,421	2,988
<i>Net equipment and leasehold improvements</i>	<u>1,775</u>	<u>1,874</u>
Capitalized software product costs:		
Amounts capitalized for software product costs	17,500	16,693
Less accumulated amortization	14,563	13,878
<i>Net capitalized software product costs</i>	<u>2,937</u>	<u>2,815</u>
Deferred income taxes	2,325	2,607
Other long term assets	337	346
Other intangible assets	1,682	2,041
Goodwill	5,439	5,439
Total assets	<u>\$ 19,883</u>	<u>\$ 21,099</u>



ARI Network Services, Inc.
Consolidated Balance Sheets
(Dollars in Thousands, Except per Share Data)

	<i>(Unaudited)</i> January 31 2012	<i>(Audited)</i> July 31 2011
Current liabilities:		
Current borrowings on line of credit	\$ -	\$ 245
Current portion of long-term debt	1,207	917
Accounts payable	375	561
Deferred revenue	4,855	5,282
Accrued payroll and related liabilities	964	1,264
Accrued taxes	36	106
Other accrued liabilities	494	473
Current portion of capital lease obligations	122	127
<i>Total current liabilities</i>	<u>8,053</u>	<u>8,975</u>
Non-current liabilities:		
Long-term debt	3,376	4,083
Capital lease obligations	145	210
<i>Total non-current liabilities</i>	<u>3,521</u>	<u>4,293</u>
Total liabilities	11,574	13,268
Shareholders' equity:		
Cumulative preferred stock, par value \$.001 per share, 1,000,000 shares authorized; 0 shares issued and outstanding at January 31, 2012 and July 31, 2011, respectively	-	-
Junior preferred stock, par value \$.001 per share, 100,000 shares authorized; 0 shares issued and outstanding at January 31, 2012 and July 31, 2011, respectively	-	-
Common stock, par value \$.001 per share, 25,000,000 shares authorized; 8,014,000 and 7,901,774 shares issued and outstanding at January 31, 2012 and July 31, 2011, respectively	8	8
Common stock options	1,135	1,092
Additional paid-in capital	95,913	95,834
Accumulated deficit	(88,731)	(89,064)
Other accumulated comprehensive loss	(16)	(39)
Total shareholders' equity	<u>8,309</u>	<u>7,831</u>
Total liabilities and shareholders' equity	<u>\$ 19,883</u>	<u>\$ 21,099</u>